



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD  
1250 H Street, NW Washington, DC 20005

MINUTES OF THE MEETING OF THE BOARD MEMBERS

July 17, 2006

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a telephonic meeting of the Board members on July 17, 2006, at 9:05 a.m., Eastern Daylight Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Thomas A. Fink of Alaska, member; Gordon J. Whiting of New York, member; Alejandro M. Sanchez of Florida, member; Gary A. Amelio, Executive Director; Mark A. Hagerty, Chief Information Officer; Gregory T. Long, Director of Product Development; Pamela-Jeanne Moran, Director, Participant Services; James B. Petrick, Chief Financial Officer; Tracey A. Ray, Chief Investment Officer; and Thomas J. Trabucco, Director, External Affairs. Also in attendance was Megan Graziano, who was sitting in for Thomas K. Emswiler, Secretary and General Counsel, members of the Department of Labor and members of the press.

1. Approval of the minutes of the June 20, 2006, Board member meeting.

Chairman Saul entertained a motion for approval of the minutes of the June 20, 2006, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on June 20, 2006, be approved.

2. Thrift Savings Plan activity report by the Executive Director.

a. Monthly Investment Activity Report.

By memorandum dated July 7, 2006 (attached), Ms. Ray provided the Board members with a report on the performance of the G, F, C, S, and I Funds during June 2006 and recommended affirmation of the current investment policy. The members made, seconded, and adopted the following resolution by unanimous vote:

## RESOLUTION

WHEREAS the Federal Employees' Retirement System Act of 1986, as amended (5 U.S.C. § 8401 et seq.) provides that the Board members shall establish policies for the investment and management of the Thrift Savings Fund (5 U.S.C. § 8472(f)(1) and (2)); and

WHEREAS the Board members at this meeting have reviewed the investment performance and investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund; and

WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund are affirmed without change.

Ms. Ray noted that the markets were volatile across the month of June, and participants engaged in heavy trading. Ms. Ray highlighted that June was a big month for the I Fund which traded at \$2 billion. Ms. Ray believes such increased trading may be due to participants chasing returns and noted that such activity confirms the importance of the lifecycle funds which are designed to prevent participants from engaging in such trading.

Ms. Ray emphasized, however, that the percentage of participants engaging in such activity was quite low; only six percent. Mr. Amelio added that the number of outstanding loans continues to decline.

Mr. Amelio reported on the popularity and success of the near one-year old L Fund and noted that 9% of FERS participants, 7% of CSRS participants and 11% of Uniformed Services

participants have balances in the L Fund. Mr. Amelio noted that overall nearly 8% of the plan's assets are in the L Fund.

b. Quarterly Report on Vendor Financial Status.

Mr. Petrick provided the Board members with the quarterly report on vendor financial status as described in a memorandum to the Executive Director dated July 7, 2006. Mr. Petrick noted that nothing in the vendor financials was substantially different from this last report.

Mr. Petrick reported that SI International's status from the last quarterly report was relatively unchanged, and that the company turned in a "robust" performance as it continues to acquire smaller companies and enter into an increased number of contracts.

Mr. Petrick noted that generally Spherix did not appear great on paper and that the current financial condition at the company was "fairly shaky." Mr. Petrick noted that the BioSpherix side of the company was not generating much revenue. Mr. Petrick did highlight, however, that Spherix renewed several of its state park contracts and that the InfoSpherix side of the company was generating business.

Mr. Whiting noted that there was nothing to prevent the sharing of finances across these two sides of Spherix, and Mr. Petrick agreed that there was not a financial separation between the two groups. Mr. Petrick noted that the company's performance will be monitored by the Board.

Mr. Petrick reported that Barclays' financial situation looks strong even after a restructuring on June 16th.

Mr. Petrick noted that Switch & Data is a privately held company and, as such, its financial performance could not be discussed in the public session. Mr. Petrick noted, however, that the company is involved in two lawsuits; one of which required a \$3.6 million judgment. Mr. Petrick noted that the firm was found guilty of improper business practices. Chairman Saul and Mr. Sanchez noted that these suits appear significant and requested more information regarding these lawsuits at the next meeting.

Mr. Petrick reported that there are no significant financial concerns with R.R. Donnelley & Sons and that the company has resumed using the name Moore Wallace. Ms. Moran re-

ported that the transition with R.R. Donnelley is progressing, and that the company has assumed responsibility for the fulfillment process.

c. Update on TSP Participant Survey.

Mr. Long provided the Board members with an update of the participant survey as described in a memorandum to the Executive Director dated July 7, 2006. He noted that the goals of the survey include understanding participant needs and usage and raising participant awareness of TSP benefits. Mr. Long noted that the survey will be one in a series of ongoing efforts to understand the needs of the participants.

Mr. Fink inquired whether the survey will go out to a sample of participants or to all participants. Mr. Long responded that the survey will go to a statistically significant sample of participants. Mr. Long reported that the Board will hire an external vendor to determine the composition of a statistically sound cross section of participants.

Mr. Sanchez suggested to Mr. Long to ensure the sample includes men and women in the Uniformed Services who are overseas. Mr. Long noted such participants will be included in the sample.

Mr. Long noted that the Board expects to hire a vendor by August or early September, send out the survey in late September and provide a final report by year end. Chairman Saul asked if reporting by the end of the year is possible, and Mr. Long noted it would be a tight, but possible, deadline.

d. Correspondence Reports.

Mr. Trabucco and Ms. Moran provided the Board members with an update of the correspondence levels and types handled by Agency staff as described in a memorandum dated July 7, 2006. Mr. Trabucco noted that the Agency mailbag is not that large considering the size of the enterprise. He added that the majority of inquiries continue to be regarding loans and withdrawals, and for the most part, the inquiries are adequately resolved.

Mr. Amelio noted members will be provided a comprehensive report regarding forfeitures and lost participants at the August meeting.

e. Security Awareness.

Mr. Fink inquired whether the Board was aware of the recent incident at the FBI where a consultant hacked into the FBI system. Mr. Hagerty noted that he was aware of this and that his group continued its efforts to ensure participant data is adequately protected.

Chairman Saul noted that the Board's operations are increasingly run by private contractors and that it is important to do everything possible to ensure participant data is protected. Mr. Hagerty agreed.

f. Communications.

Ms. Moran presented the Board with the most recent participant mailings which focus on the year anniversary of the L Fund and further encourage participants to plan for retirement.

Chairman Saul suggested that the highlights include a yearly cumulative number. Ms. Ray responded this may result in participants chasing returns.

g. Legislative Update.

Mr. Trabucco reported that Mr. Amelio received a letter from Chairman Davis regarding his proposal on refunds. Mr. Trabucco noted in response to the letter that sufficient review will be done and that the Board will respond to the letter.

Additionally, Mr. Trabucco updated the Board regarding the issue of the Real Estate Investment Trusts (REITS) inclusion in the TSP. He noted that NAREIT contacted Ms. Ray and Ms. Ray and her staff are reviewing the analysis and information they provided the Board. Also, Mr. Trabucco called the Board's attention to the recent Heritage Foundation article on this topic.

Chairman Saul noted that a key component of the REIT discussion will be the end of year survey. He emphasized again the importance of the survey being completed by year's end.

h. Backroom Processing.

Mr. Amelio reported that the transition of work to SI and SunGard continues to progress smoothly. He noted that he and Mr. Hagerty visited SunGard recently and were impressed with the facility and staff. Mr. Amelio noted that he has a high degree of confidence in their capabilities and praised the group's ability to reduce the backlog in rollover processing.

Mr. Amelio reported that he believes that budget and billing issues with the NFC are close to resolution.

Mr. Amelio reported to the Board that he expects to come in under budget. He noted that year to date the Board is 4% below budget. He noted that this number still includes an increase in educational and security efforts.

Chairman Saul praised the Board for not only lowering costs but also providing more services for participants at this lowered cost.

i. Miscellaneous.

Mr. Fink requested a copy of the Department of Labor's (DOL) report that is referenced in a letter from Ian Dingwall, Chief Accountant of the DOL to Mr. Amelio dated June 26, 2006.


Mr. Fink inquired into Mr. Hagerty's hiring progress for the Supervisory IT Specialist. Chairman Saul emphasized the importance of this hire.

3. New Business.

Mr. Amelio reported that there was no new business.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Saul adjourned the meeting at 10:09 a.m.

MOTION: That this meeting be adjourned.

  
Thomas K. Emswiler  
Secretary

NOTE: Ace-Federal Reporters, Inc. made a verbatim transcript of this meeting.

Attachment